

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5941-01
Bill No.: SB 818
Subject: Motor Vehicles; Licenses - Motor Vehicle; Revenue Department
Type: Original
Date: March 5, 2012

Bill Summary: This proposal modifies the law regarding the issuance of temporary permit tags.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$44,745)	\$28,536	\$28,536
Total Estimated Net Effect on General Revenue Fund	(\$44,745)	\$28,536	\$28,536

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Highway Fund	(\$2,287,788)	(\$2,745,346)	(\$2,745,346)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,287,788)	(\$2,745,346)	(\$2,745,346)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	(\$207,980)	(\$249,577)	(\$249,577)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and **Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Transportation** concur with Department of Revenue regarding any fiscal impact to their organization.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Department of Revenue (DOR) - Motor Vehicle Bureau (MVB)** estimate procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$1,182. The Dealer Operating Manual will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,182. The Missouri Titling Manual will need to be revised requiring 40 hours of overtime at a cost of \$1,182. The Department's web site will need to be updated to include the new plate type. This will require 10 hours of over time for an Administrative Analyst III, at a cost of \$319. Total cost to the DOR- MVB is \$3,865 in FY 2013.

MVB assumes the reference to an "other producer authorized by the director" throughout the proposal indicates the Department may contract with a third party vendor to produce temporary permits.

ASSUMPTION (continued)

It is uncertain as to what the bid specifications for temporary permits would look like and the bid responses the Department would receive. MVB would contract with a vendor or vendors to produce temporary permits.

The vendor(s) would sell temporary permits to dealers for not more than \$5 per permit. The vendor would retain all revenue from the sale of these permits. The dealer would then sell these permits to customers for \$5 per permit and retain all revenue from those sales. The vendor would sell temporary permits to the license office for no more than \$5 per permit. The vendor would retain all revenue from the sale of these permits. The license offices would then sell these permits to customers at \$5 per permit and retain all revenue from those sales. This proposal does not address the fee if the temporary permit is sold by the Department.

As the Department would no longer be required to produce and distribute temporary permits to license offices and dealers, this will result in a cost reduction for producing the temporary permits.

It currently costs the Department \$0.0714 to produce one temporary permit from the current contractor. In FY 2011, the Department produced and issued 399,659 temporary permits. By not having to produce temporary permits will result in a cost reduction of \$23,780 in FY13 (10 Months), \$28,536 in FY14 and \$28,536 in FY15.

Officials from the **Department of Revenue (DOR) - License Office Bureau (LOB)** state based on 61,403 temporary permits issued by the license offices during the last fiscal year, the license offices could have to pay in excess of \$307,015 in temporary permit inventory. Today, they pay nothing for this inventory. Although they will recover these fees as they sell the permits, this is a big outlay that could cause a financial burden to the offices.

Depending on how this legislation is implemented, the license offices may have to acquire a system or at least access another system in order to issue and print the new temporary permit. This too, could have an unknown impact on the license offices.

Officials from the **Department of Revenue (DOR) - Information Technology - OA-ITSD** state the Department will need to develop a method of reporting and tracking temporary permits to the Missouri Uniform Law Enforcement System.

ASSUMPTION (continued)

The Department's response to a similar proposal in prior years would have indicated the Department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the Department's motor vehicle legacy systems, changes cannot be made without significant impact to the Department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$64,660 calculated on 2,440 FTE hours.

DOR states this proposal would affect current revenues generated from the sale of temporary permits. The Department assumes that on the occasion an applicant applies for an extended temporary registration permit the Director would only issue a second permit in very extenuating circumstances. Therefore, any revenue impact generated from the issuance of a second permit would be very minimal.

In summary, DOR assumes a cost of \$44,745 (\$3,865 - \$23,780 + \$64,660) in FY 2013 to provide for the implementation of the changes in this proposal.

In FY 11 the Department sold 399,659 temporary permits. Of those 399,659 temporary permits only 336 were sold by the central office. As a result, only 336 would continue to be state revenues and \$2,994,923 would no longer be state revenue distributed to the highway fund, cities, and counties.

The distribution of the loss of a total of \$2,994,923 from the sales of temporary permits to both dealers and customers by the contract offices is as shown below:

\$5.00- Highway Fund-	\$1,996,615
\$2.50- 75% Highway Fund-	\$748,731
15% Cities-	\$149,746
10% Counties -	\$99,831

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Savings</u> - Temporary Permit cost reduction	\$23,780	\$28,536	\$28,536
<u>Cost</u> - Department of Revenue administrative cost	<u>(\$68,525)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$44,745)</u>	<u>\$28,536</u>	<u>\$28,536</u>
HIGHWAY FUND			
<u>Loss</u> - Temporary Permit Loss	<u>(\$2,287,788)</u>	<u>(\$2,745,346)</u>	<u>(\$2,745,346)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$2,287,788)</u>	<u>(\$2,745,346)</u>	<u>(\$2,745,346)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - Cities and Counties--Temporary Permit Loss	<u>(\$207,980)</u>	<u>(\$249,577)</u>	<u>(\$249,577)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$207,980)</u>	<u>(\$249,577)</u>	<u>(\$249,577)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

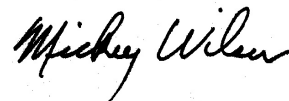
This proposal modifies the process for issuing temporary permits to motor vehicle owners. Under the terms of the act, the Director of Revenue is authorized to allow others to produce new temporary permits that allow buyers of motor vehicle or trailers to operate such vehicles for a 30 day period. The price paid by a registered dealer for a temporary permit shall not exceed \$5.00 per permit (current law sets the amount at \$7.50).

Under the proposal, amounts received by the director for temporary permits constitute state revenue while amounts received by authorized producers shall not constitute state revenue. Amounts received by dealers for temporary permits purchased from authorized producers shall not constitute state revenue. The act specifically provides that General Revenue Funds or other state funds shall not be used to compensate motor vehicle dealers and other producers for their role in producing temporary permits. Dealers may not charge more than \$5.00 for each permit it issues (down from \$7.50). The act allows the director to reissue and extend the use of a temporary permit during the time period a title and registration are being obtained.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Department of Transportation
Department of Public Safety
Office of the Secretary of State
Joint Committee on Administrative Rules



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Director
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